

# GDRSD FINANCIAL OVERVIEW SUMMARY

Presented by  
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Groton-Dunstable Regional School Committee

# FY17 Goals & Tasks

- Search successfully for a new Superintendent
- Search successfully for a new Business Manager
- Complete employee contract negotiations (5)
- Adopt District Vision & Core Values
- Sustainability Committee work
- External operations review(s)

# Multi-year Financial Factors

- Established Needs Assessment
- Adopted Technology Plan
- Draft Capital Plan
- Other Post Employment Benefits (OPEB)
- Ongoing variability in:
  - Special Education Costs
  - Transportation & Utilities
  - State funding

# Chapter 70 Funding History

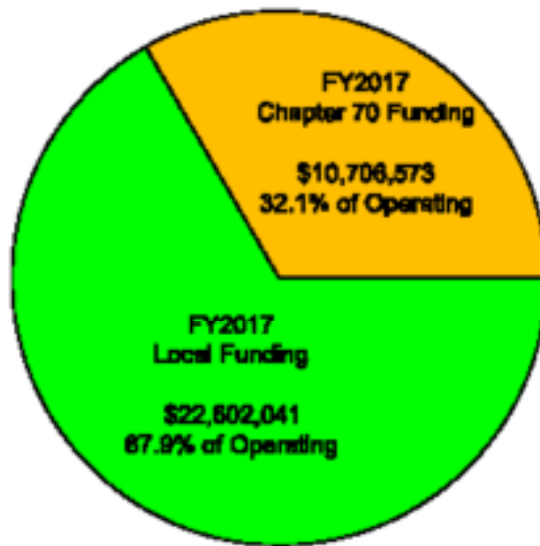
	<b>Chapter 70 Aid</b>	<b>Percent Change</b>	<b>Chapter 70 Percent of Net School Spending</b>
FY08	10,757,109	1.6	38.9
FY09	9,914,811	-7.8	40.5
FY10	10,858,434	9.5	39.8
FY11	10,224,085	-5.8	36.6
FY12	10,278,973	0.5	38.8
FY13	10,384,573	1.0	36.5
FY14	10,449,473	0.6	37.0
FY15	10,513,273	0.6	35.9
FY16	10,575,673	0.6	34.9
FY17	10,706,573	1.2	TBD

# GDRSD Operating Budget

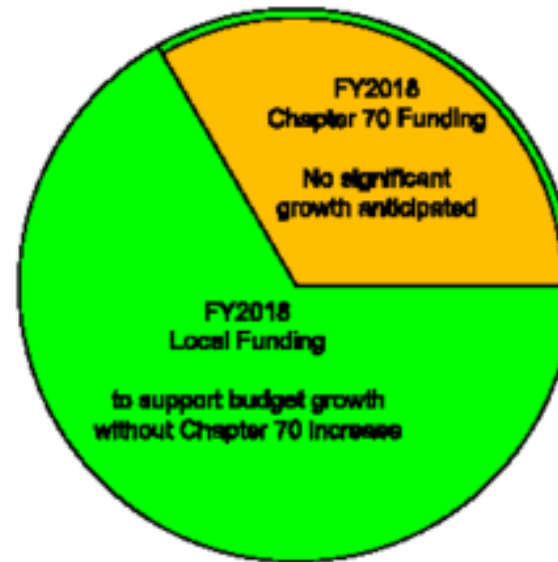
(FY17 = \$33,308,614)

	% of Operating	Annual Growth of Category	Operating Increase Needed	FY17 \$ amount	Increase for FY18 (Est.)
Salaries & Wages	60%	3.5%	2.10%	\$ 19,985,168	\$ 700,000
Benefits	14%	8%	1.12%	\$ 4,663,206	\$ 375,000
Expenses	26%	1%	0.26%	\$ 8,660,240	\$ 85,000
Annual Operating Increase:			3.48%		\$ 1,160,000

# Town Assessment Impact



FY2017 - Base Model



FY2018 - 3.5% growth

# FY18 Guidance to Administration

Maintain current programs (3.5%)	\$1,160,000
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Planned costs from Technology Plan	\$55,000
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Needs Assessment priorities	<u>\$500,000</u>
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Total:	\$1,715,000
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# **Town of Groton Finance Committee**

## **Presentation to Joint meeting of Dunstable/Groton/GDRSD Budget & Finance Committees**

11/8/16

November 7<sup>th</sup>, 2016





# Presentation Topics

- Groton Sustainable Budget Study Committee
- Budget Trends
- FY2018 Budget Guidance
- Actions Under Consideration

# Sustainable Budget Committee (SBC)

## **Charter:**

The Sustainable Budget Study Committee shall be established for the purpose of identifying and understanding the underlying causes of growth in Groton's Municipal Operating Budget, as well as, making recommendations on specific actions that can be taken to ensure the Town is on a sustainable financial path. The Committee's work should include, but not be limited to the following:

- Identify specific growth areas that are increasing in non-sustainable manner
- Analyze non-sustainable budget growth areas to determine underlying causes
- Benchmark municipal budget growth against comparable Towns
- Develop list of potential actions prioritized on size and duration of financial impact, ability of Town to adopt and potential risks to successful implementation
- Deliver a final report to the Board of Selectmen and Finance Committee outlining findings and recommendations

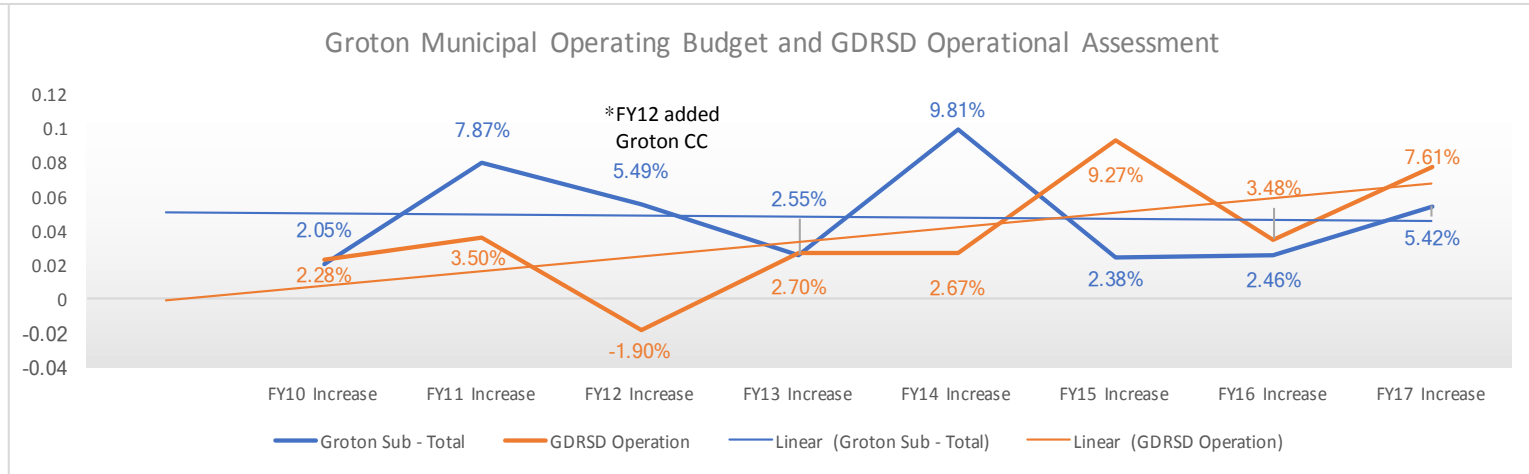
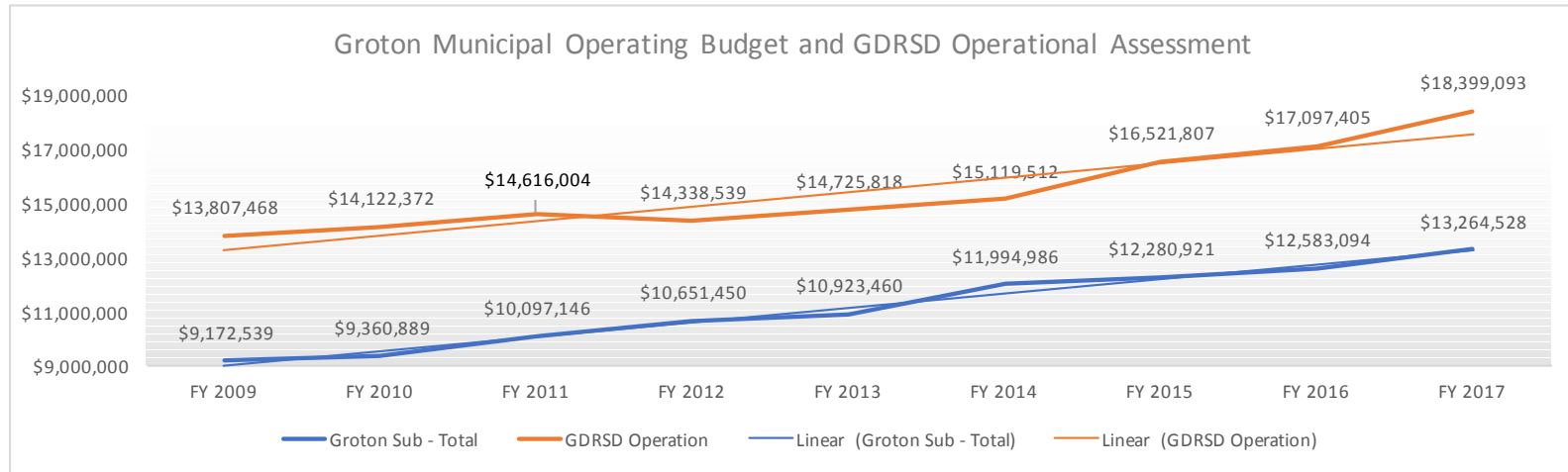
# Recent Expenditure Trends

5-Year CAGR (FY2013 to FY2017)  
used to characterize growth

<u>Line Item</u>	<u>Growth</u>	<u>Drivers</u>
Municipal Salaries and Wages	5.15%	Contract terms, hours, positions
Municipal Benefits	6.34%	8-9% growth expected in FY18
Municipal Expenses	2.91%	
Total Municipal Operating Budget	5.17%	
GDRSD Operational Assessment	5.73%	

**Personnel costs drive growth of municipal spending**

# Long Term Spending Trends



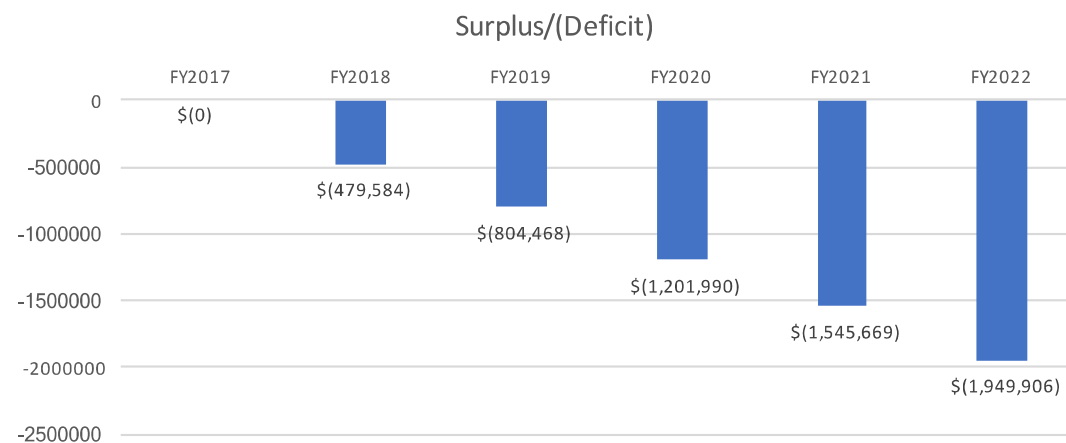
# Model Demonstrating Current Fiscal Challenge

<b><i>Numbers are Fictitious for Modeling Purposes Only</i></b>						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expense Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Municipal Operating Budget	\$10,000,000	\$10,340,000	\$10,691,560	\$11,055,073	\$11,430,946	\$11,819,598
GDRSD operating budget	\$30,000,000	\$31,020,000	\$32,074,680	\$33,165,219	\$34,292,837	\$35,458,793
State Contribution (40%)	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000
Operational assessment (due to spending growth)	\$18,000,000	\$18,612,000	\$19,244,808	\$19,899,131	\$20,575,702	\$21,275,276
Operational assessment (due to flat state contribution)	\$-	\$408,000	\$829,872	\$1,266,088	\$1,717,135	\$2,183,517
Total Operational Assessment	\$18,000,000	\$19,020,000	\$20,074,680	\$21,165,219	\$22,292,837	\$23,458,793
Total Municipal Operating Budget	<b>\$28,000,000</b>	<b>\$29,360,000</b>	<b>\$30,766,240</b>	<b>\$32,220,292</b>	<b>\$33,723,782</b>	<b>\$35,278,391</b>
Revenue Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Revenue	<b>\$28,000,000</b>	<b>\$28,952,000</b>	<b>\$29,936,368</b>	<b>\$30,954,205</b>	<b>\$32,006,647</b>	<b>\$33,094,873</b>
Surplus/(Deficit)	\$-	<b>\$(408,000)</b>	<b>\$(829,872)</b>	<b>\$(1,266,088)</b>	<b>\$(1,717,135)</b>	<b>\$(2,183,517)</b>

3.4% Municipal and GDRSD operating budget growth results in annual deficits

# 5-year Budget Forecast (Town Meeting)

	5-year CAGR	Forecast Assumptions
Municipal Wage & Salary	5.15%	2.1%
Municipal Benefits	6.34%	6.5%
Municipal Expense	2.91%	1.0%
Town Operating Budget	4.97%	2.4%
GDRSD Assessment	5.73%	4.7% (3.5% Operating Budget)
Revenue Growth	3.30%	3.4%



# State Matching Funds Grow at Inflation

**Numbers are Fictitious for Demonstration Purposes Only**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expense Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Municipal Operating Budget	\$10,000,000	\$10,340,000	\$10,691,560	\$11,055,073	\$11,430,946	\$11,819,598
GDRSD operating budget	\$30,000,000	\$31,020,000	\$32,074,680	\$33,165,219	\$34,292,837	\$35,458,793
State Contribution (40%)	\$12,000,000	\$12,300,000	\$12,607,500	\$12,922,688	\$13,245,755	\$13,576,899
Operational assessment (due to spending growth)	\$18,000,000	\$18,612,000	\$19,244,808	\$19,899,131	\$20,575,702	\$21,275,276
Operational assessment (due to flat state contribution)	\$-	\$108,000	\$222,372	\$343,400	\$471,380	\$606,619
Total Operational Assessment	\$18,000,000	\$18,720,000	\$19,467,180	\$20,242,532	\$21,047,082	\$21,881,894
Total Municipal Operating Budget	\$28,000,000	\$29,060,000	\$30,158,740	\$31,297,605	\$32,478,027	\$33,701,492
Revenue Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Revenue	\$28,000,000	\$28,952,000	\$29,936,368	\$30,954,205	\$32,006,647	\$33,094,873
Surplus/(Deficit)	\$-	\$(108,000)	\$(222,372)	\$(343,400)	\$(471,380)	\$(606,619)

Although not realistic to expect, if state funds grew at rate of inflation, our finances would be manageable

# One Year Cuts Do Not Solve the Problem

<b><i>Numbers are Fictitious for Demonstration Purposes Only</i></b>						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expense Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Municipal Operating Budget	\$10,000,000	<b>\$9,932,000</b>	\$10,269,688	\$10,618,857	\$10,979,899	\$11,353,215
GDRSD operating budget	\$30,000,000	\$31,020,000	\$32,074,680	\$33,165,219	\$34,292,837	\$35,458,793
State Contribution (40%)	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000
Operational assessment (due to spending growth)	\$18,000,000	\$18,612,000	\$19,244,808	\$19,899,131	\$20,575,702	\$21,275,276
Operational assessment (due to flat state contribution)	\$-	\$408,000	\$829,872	\$1,266,088	\$1,717,135	\$2,183,517
Total Operational Assessment	\$18,000,000	\$19,020,000	\$20,074,680	\$21,165,219	\$22,292,837	\$23,458,793
Total Municipal Operating Budget	<b>\$28,000,000</b>	<b>\$28,952,000</b>	<b>\$30,344,368</b>	<b>\$31,784,077</b>	<b>\$33,272,735</b>	<b>\$34,812,008</b>
Revenue Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Revenue	<b>\$28,000,000</b>	<b>\$28,952,000</b>	<b>\$29,936,368</b>	<b>\$30,954,205</b>	<b>\$32,006,647</b>	<b>\$33,094,873</b>
Surplus/(Deficit)	\$-	\$-	<b>\$(408,000)</b>	<b>\$(829,872)</b>	<b>\$(1,266,088)</b>	<b>\$(1,717,135)</b>

Year 2: Cuts equaling \$408,000

It's not spending, it's a growth rate problem



# To Avoid Overrides, Reduce Growth to 2.4%

<b><i>Numbers are Fictitious for Demonstration Purposes Only</i></b>						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Expense Growth Rate		2.4%	2.4%	2.4%	2.4%	2.4%
Municipal Operating Budget	\$10,000,000	\$10,240,000	\$10,485,760	\$10,737,418	\$10,995,116	\$11,258,999
GDRSD operating budget	\$30,000,000	\$30,720,000	\$31,457,280	\$32,212,255	\$32,985,349	\$33,776,997
State Contribution (40%)	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000	\$12,000,000
Operational assessment (due to spending growth)	\$18,000,000	\$18,432,000	\$18,874,368	\$19,327,353	\$19,791,209	\$20,266,198
Operational assessment (due to flat state contribution)	\$-	\$288,000	\$582,912	\$884,902	\$1,194,140	\$1,510,799
Total Operational Assessment	\$18,000,000	\$18,720,000	\$19,457,280	\$20,212,255	\$20,985,349	\$21,776,997
Total Municipal Operating Budget	<b>\$28,000,000</b>	<b>\$28,960,000</b>	<b>\$29,943,040</b>	<b>\$30,949,673</b>	<b>\$31,980,465</b>	<b>\$33,035,996</b>
Revenue Growth Rate		3.4%	3.4%	3.4%	3.4%	3.4%
Revenue	<b>\$28,000,000</b>	<b>\$28,952,000</b>	<b>\$29,936,368</b>	<b>\$30,954,205</b>	<b>\$32,006,647</b>	<b>\$33,094,873</b>
Surplus/(Deficit)	\$-	<b>\$(8,000)</b>	<b>\$(6,672)</b>	<b>\$4,532</b>	<b>\$26,182</b>	<b>\$58,877</b>

2.4% Municipal and GDRSD operating budget growth is sustainable

# FY2018 Budget Guidance

**The Town Manager shall prepare the FY18 budget with a target of no more than 2.4% municipal growth.**

**The Town Manager should further provide budget scenarios showing 1.2% and 0% growth for FY18.**

**The Budget should include a realistic five year balanced budget plan.**

# FY18 Budget Forecast

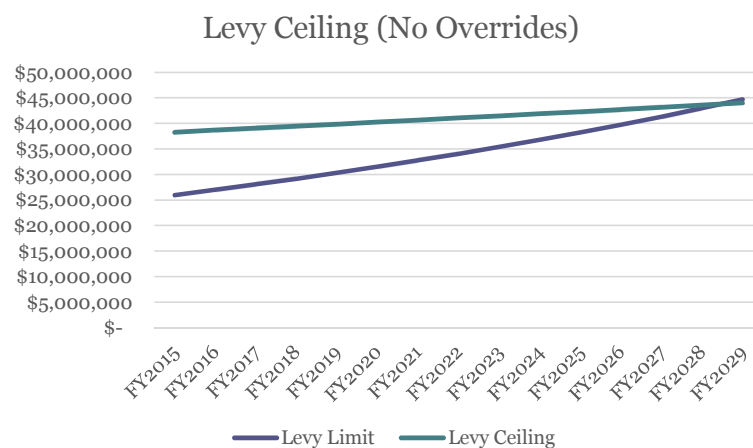
	<u>FY 2017</u>	<u>FY 2018</u>	<u>Percent Increase</u>
<b><u>Expenditures</u></b>			
Municipal Wages	\$ 6,993,035	\$ 7,153,875	2.30%
Employee Benefits	\$ 3,617,512	\$ 3,919,338	8.34%
<b>Sub-Total</b>	<b>\$ 10,610,547</b>	<b>\$ 11,073,212</b>	<b>4.36%</b>
Municipal Expenses	\$ 2,730,427	\$ 2,757,731	1.00%
<b>Sub - Total</b>	<b>\$ 13,340,974</b>	<b>\$ 13,830,944</b>	<b>3.67%</b>

Increases required to maintain level services and meet contractual obligations

	<u>FY 2017</u>	<u>FY 2018</u>	<u>Percent Increase</u>	<u>FY 2019</u>	<u>Percent Increase</u>	<u>FY 2020</u>	<u>Percent Increase</u>	<u>FY 2021</u>	<u>Percent Increase</u>	<u>FY 2022</u>	<u>Percent Increase</u>
Grand Total Appropriations	\$34,068,304	\$36,126,805	6.04%	\$37,093,612	2.68%	\$38,261,830	3.15%	\$39,361,641	2.87%	\$40,530,111	2.97%
Grand Total Revenues	\$34,068,304	\$35,658,175	4.67%	\$36,648,145	2.78%	\$37,786,889	3.11%	\$38,932,207	3.03%	\$40,107,964	3.02%
<b>Surplus/(Deficit)</b>	<b>\$(0)</b>	<b>\$(468,630)</b>		<b>\$(445,467)</b>		<b>\$(474,941)</b>		<b>\$(429,434)</b>		<b>\$(422,147)</b>	

Major challenges for FY2018 (and beyond)  
Groton Town Finance Team has work to do to get down to growth rate of 2.4%  
If GDRSD can match town's growth rate, Groton can avoid overrides

# Modeling Groton's Levy Ceiling



There is a legal limit to available growth

# Levy Ceiling Trends

Override Capacity			
	Levy Ceilings (in \$ billions)	Levy Limits (in \$ billions)	Override Capacity (in \$ billions)
FY2007	24.6	10.3	14.3
FY2008	24.8	10.9	13.9
FY2009	24.4	11.4	13.0
FY2010	23.4	11.9	11.5
FY2011	22.7	12.4	10.3
FY2012	22.6	12.9	9.7
FY2013	22.6	13.4	9.2
FY2014	23.0	13.9	9.1
FY2015	24.2	14.6	9.6
FY2016	25.7	15.2	10.5

Source: DLS Databank - Property Tax Related Reports. Data is current as of the publication date.

Fiscal Year	"Hit the Ceiling"	Ceiling is Approaching
FY2007	0	1
FY2008	0	1
FY2009	0	1
FY2010	0	2
FY2011	2	2
FY2012	1	5
FY2013	4	5
FY2014	7	4
FY2015	5	8
FY2016	6	12

Source: DLS Databank - Property Tax Related Reports. Data is current as of the publication date.

# Potential Short Term Actions

- Operational Audit in FY2018
- Potential for increased Revenues
  - \$150k - Implement Room Occupancy Tax of 6%
- Potential to decrease Expenses (\$131k)
  - \$64k - Eliminate Health Reimbursement Account benefit given to town employees
  - \$25k – New or Increased User Fees
  - \$17k – Increase the Retiree Medical cost share
  - \$15k – Expansion of Regional Collaboration
  - \$10k – Enterprise Intergovernmental Standardization

# Potential Longer Term Actions

- Look at reducing Groton's embedded growth rates
  - 1.20% annual municipal wage and salary growth equals 2.4% total growth
  - 1.00% annual municipal expense growth
  - Contractual COLA increases
  - Merit increases
    - Lump-sum (as opposed to compounding) paid on a year-by-year basis
    - Paid from free cash
    - Tied to appropriate index
  - Employee health care premium share
  - Petition Middlesex County Retirement System to extend amortization period (currently ending in 2035) of unfunded pension liability
  - Review P&L plan for Country Club
- Revenue
  - Grow commercial tax base
  - PILOTs

Ability to limit personnel cost growth is primary determinant of sustainability

# Summary

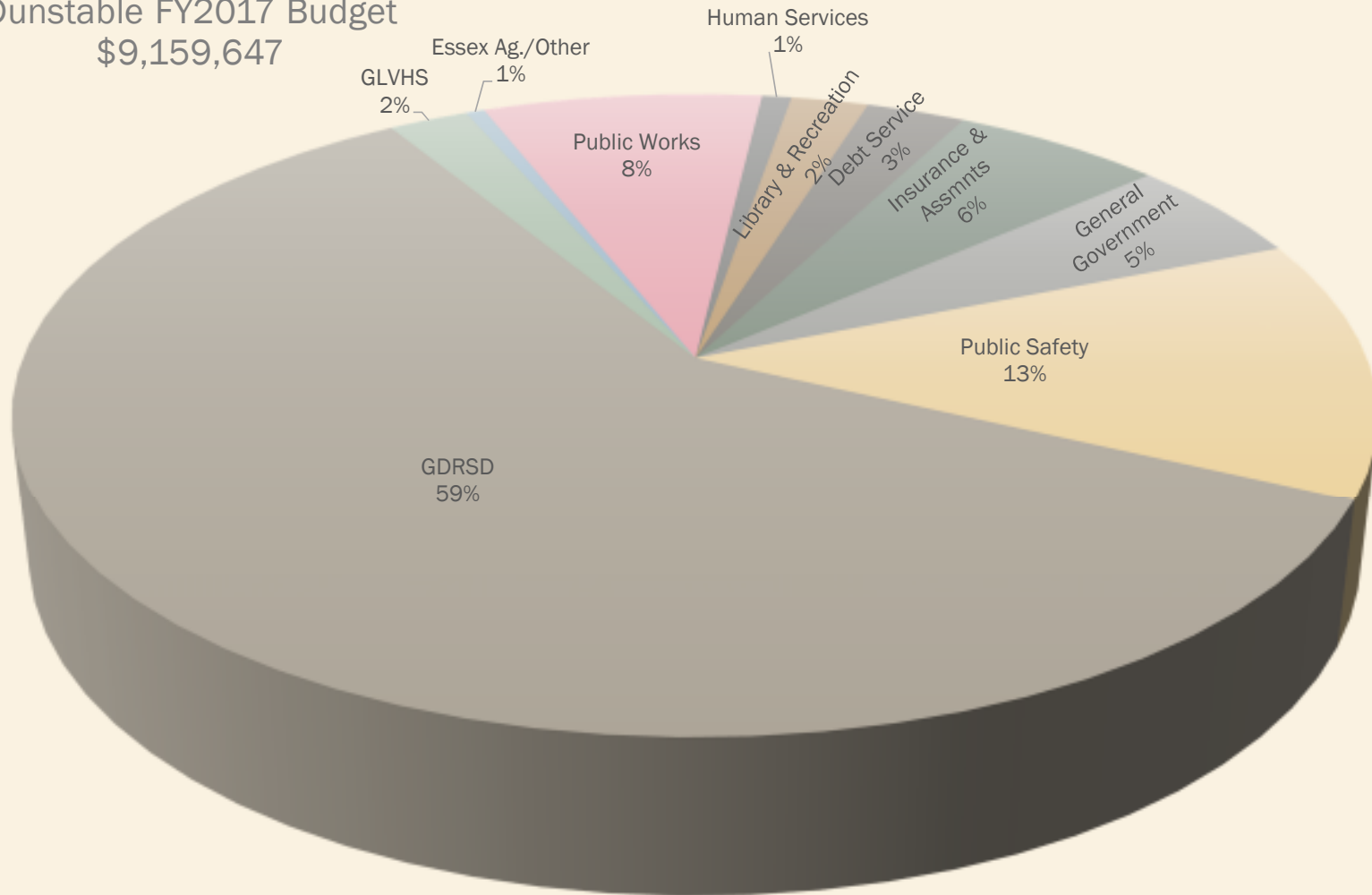
- Current growth trends are unsustainable
- To make this work, towns and GDRSD need to work together to slow annual growth rates
- Groton is taking immediate actions in FY18
- Groton working to develop plan to reduce annual growth to sustainable level



# DUNSTABLE FINANCIALS

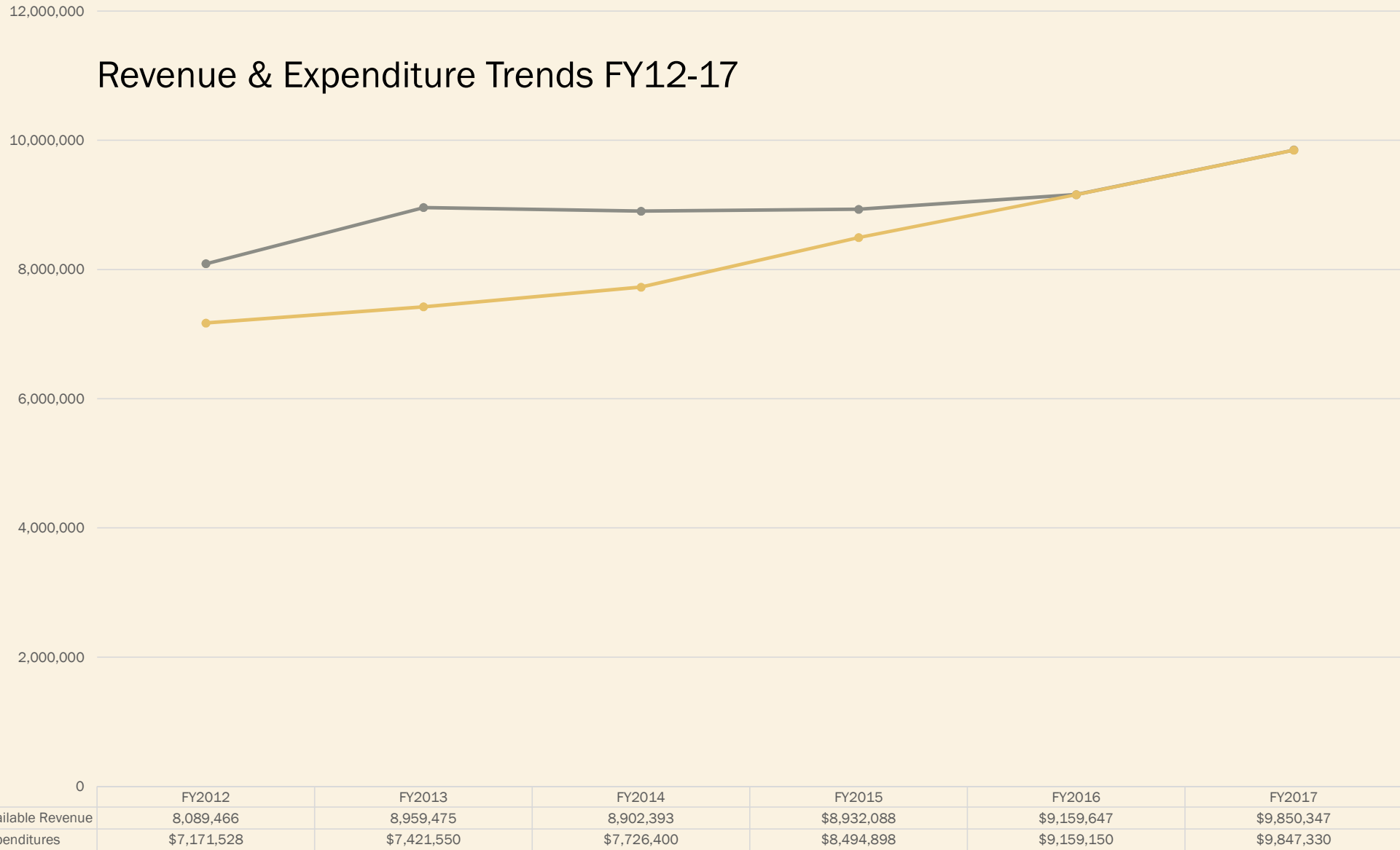
November 7, 2016

Dunstable FY2017 Budget  
\$9,159,647

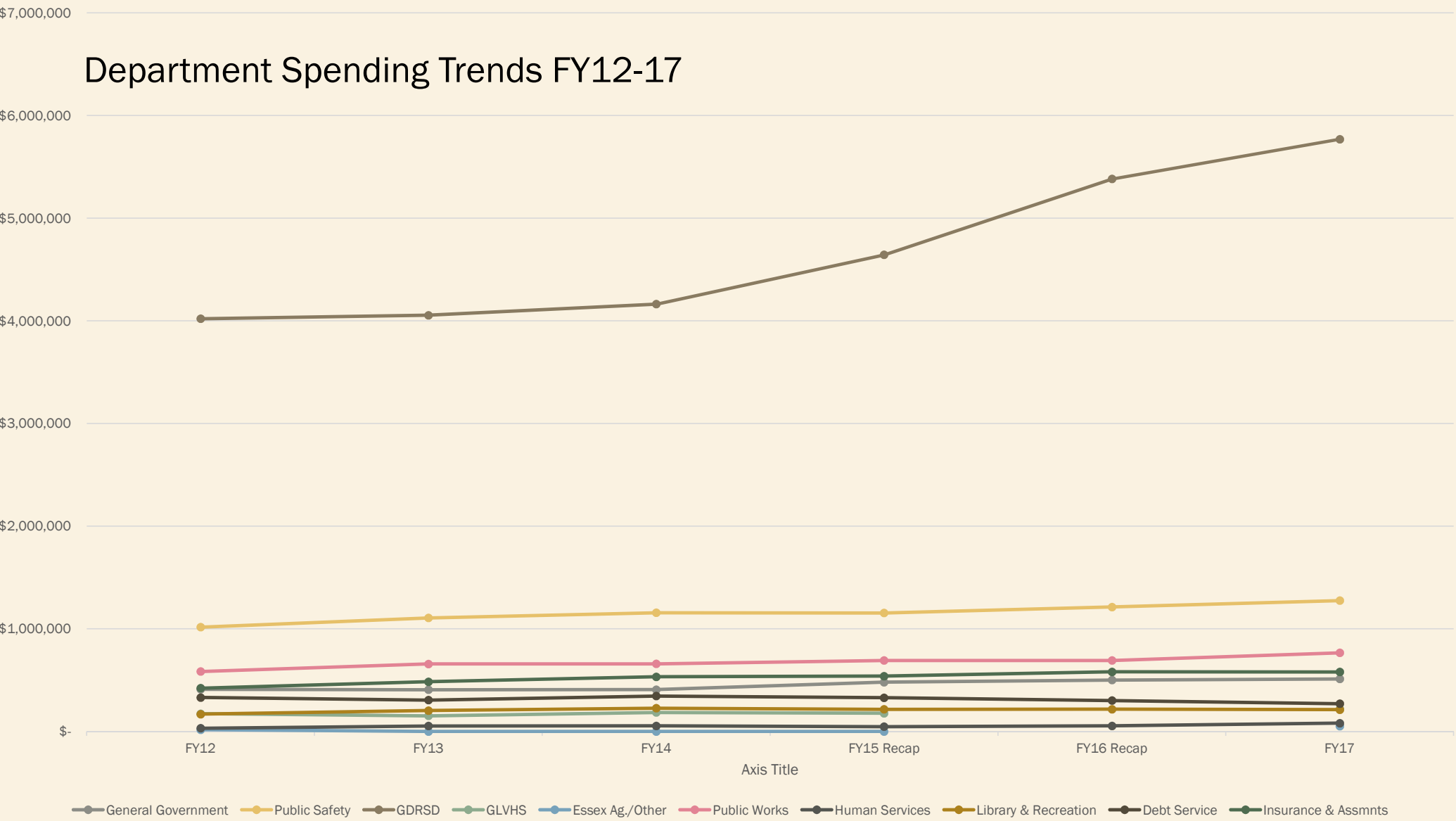


General Government Public Safety GDRSD GLVHS Essex Ag./Other  
Public Works Human Services Library & Recreation Debt Service Insurance & Assmnts

## Revenue & Expenditure Trends FY12-17



# Department Spending Trends FY12-17



## Revenue & Expenditure Forecast FY18-20

\$14,000,000

\$12,000,000

\$10,000,000

\$8,000,000

\$6,000,000

\$4,000,000

\$2,000,000

\$0

	FY2017	FY18	FY19	FY20
Revenue at avg 4% Growth	\$9,850,347	\$10,255,196.01	\$10,676,684.56	\$11,115,496.30
Revenue at 2.5% Growth	\$9,850,347	\$10,096,605.43	\$10,298,537.53	\$10,556,000.97
Total Expenses	\$9,847,330	\$10,494,299.15	\$11,183,774.61	\$11,918,548.60

Revenue at avg 4% Growth    Revenue at 2.5% Growth    Total Expenses

# Conclusions

Trends show erratic patterns of revenue and expenditures.

We tweak budgets to make them fit within revenues.

Departments can't plan for growth or improvements because revenue is uncertain.

Master plan may help with revenue growth, but it will take time.

Would like to develop fiscal policies to help create more predictable growth and opportunities.

# FY18 Municipal Goals

<u>Goal</u>	<u>Amount</u>	<u>Funding Source</u>
Restore most FY17 cuts	\$ 55,500	raise and appropriate
Capital Plan	\$ 111,000	raise and appropriate
Replace Engine 2	\$ 360,000	debt exclusion?
Backhoe	\$ 110,000	debt exclusion?
Water Infrastructure	\$2,500,000	debt exclusion?
Public Safety building	TBD	debt exclusion

# FY18 Revenue Estimates

FY17 Base	\$8,004,513
2.5% Increase	\$ 200,112
New Growth	\$ 50,000
Excluded Debt	\$ 586,241
Cherry Sheets	\$ 270,000
Local Receipts	\$ 650,000
 Total	 \$9,760,866



# Revenue Distribution

Total new GDRSD spending (proposed)	\$1,715,000
Dunstable portion (25% +/-)	\$ 428,750
Groton portion (75% +/-)	\$1,286,250

Levy not Utilized	\$162,000
New Growth	\$ 50,000
2 ½	<u>\$200,112</u>
	\$412,112 (60% = \$247,267)